

BUDGET, FINANCE & INVESTMENT COMMITTEE

February 4, 2010

5:30 P.M.

Courthouse

MINUTES:

Members Present:

Comm. Bob Bullen
Comm. Joe Frank Jernigan
Comm. Will Jordan
Comm. Robert Peay, Jr.
Comm. Steve Sandlin
Comm. Doug Shafer
Comm. Joyce Ealy, Chrm.

Others Present:

Ernest Burgess
Teb Batey
Anthony Tuggle
Lynn Duke
Bernard Salandy
Jeff Sandvig
Gary Clardy

Others Present:

Jim Baker
Sumner Bouldin
John Jones
Paul Latture
Jim Murphy
Steve Gilmore
Bill Boner

Others Present:

Tanya Hobbs
Elaine Short

Chairman Ealy presided and called the meeting to order at 5:30 P.M. with all members being present.

APPROVE MINUTES:

The minutes of the January 7, 2010 meeting were presented for approval.

Comm. Shafer moved, seconded by Comm. Jordan to approve the minutes as presented.

The motion passed unanimously by acclamation.

INVESTMENT REPORT:

Mr. Teb Batey, Trustee, presented the monthly Investment Report advising that there were no investment transactions during the month. The LGIP interest rate was .24%.

Comm. Bullen moved, seconded by Comm. Jernigan to approve the monthly Investment Report as presented.

The motion passed unanimously by acclamation.

FUND CONDITION REPORT:

Mrs. Lisa Nolen, Finance Director, presented the monthly Fund Condition Report advising that the Development Tax collections for the month were \$454,500. The year-to-date collections totaled \$958,500. This compared to the same period last year when the monthly Development Tax collections were \$34,500, and the year-to-date collections were \$2,104,500.

The Finance Director reviewed the funds' cash balances advising that the total for all funds was \$179,464,785 with operating funds being \$150,256,808 and borrowed funds being \$29,207,977. This compared to the same month last year when the total of the fund cash balances was \$147,756,752 with operating funds being \$129,810,424 and borrowed funds being \$17,946,328.

The Finance Director provided the committee with updated revenue information. She reported that when looking at the General Fund and the Ambulance Service Fund together, the revenue collections were slightly behind the last two year's collections, but ahead of the previous three years.

Following review, Comm. Sandlin moved, seconded by Comm. Jernigan to approve the Fund Condition Report for the month ending January 31, 2010 as presented. The motion passed unanimously by acclamation.

The Finance Director noted that six months of sales tax collections had been reported, and that the collections were behind 5.58% for the county as a whole when compared to last year. She advised that this would impact the school's budget the most. If the trend continued for the next six months, the sales tax revenue for schools could be down almost \$2.5 million.

GENERAL FUND BUDGET AMENDMENTS**AGRICULTURE EXTENSION:**

Mr. Anthony Tuggle, Agriculture Extension Director, requested approval of the following budget transfer to provide funding to pay overtime pay to a part-time employee who worked over the Christmas Holidays:

From: 101-57100-169 – Part Time Personnel -	\$100
To: 101-57100-187 – Overtime Pay -	\$100

Comm. Sandlin moved, seconded by Comm. Jernigan to approve the budget transfer of \$100 from Account 101-57100-169, Part Time Personnel, to Account 101-57100-187, Overtime Pay, for the Agriculture Extension Department as requested. The motion passed unanimously by roll call vote.

JUVENILE DETENTION:

Mrs. Lynn Duke, Juvenile Detention Center Director, requested approval of the following budget transfer to provide funding to pay accumulated annual leave and compensatory time for employees who have left employment. Funding is available in the Attendants Account due to turnover:

From: 101-54240-164 – Attendants -	\$2,521
To: 101-54240-161 – Secretary -	\$ 576
101-54240-187 – Overtime Pay -	1,920
101-54240-209 – Disability Insurance -	25

Comm. Sandlin moved, seconded by Comm. Peay to approve the budget transfer for the Juvenile Detention Center as requested to transfer \$2,521 from Account 101-54240-164, Attendants, with \$576 to Account 101-54240-161, Secretary; \$1,920 to Account 101-54240-187, Overtime Pay; and \$25 to Account 101-54240-209, Disability Insurance to provide funding to pay accumulated annual leave and compensatory time for employees who have left employment. The motion passed unanimously by roll call vote.

CORRECTIONAL WORK CENTER:

Lt. Bernard Salandy, Interim Correctional Work Center Superintendent, requested approval of the following budget transfer to provide additional funding for prisoner's clothing due to housing a larger number of inmates:

From: 101-54220-110 – Lieutenant -	\$6,000
To: 101-54220-441 – Prisoners' Clothing -	\$6,000

Comm. Peay moved, seconded by Comm. Shafer to approve the budget transfer for the Correctional Work Center as requested to transfer \$6,000 from Account 101-54220-110, Lieutenant, to Account 101-54220-441, Prisoners' Clothing. The motion passed unanimously by roll call vote.

AMBULANCE SERVICE FUND BUDGET AMENDMENT:

No one was present from the Ambulance Service. Finance Director Lisa Nolen requested approval of the following budget amendment to appropriate revenue received from providing medical coverage at special events to be used for Overtime Pay and the related benefits:

Increase Revenue: 118-43990 – Charges for Services -	\$14,613
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Increase Expend.:	118-55130-187 – Overtime Pay -	\$11,626
	118-55130-201 – Social Security -	\$ 906
	118-55130-204 – State Retirement -	1,869
	118-55130-212 – Employer Medicare -	212

Following review, Comm. Jordan moved, seconded by Comm. Sandlin to approve the budget amendment for the Ambulance Service Fund as presented recognizing additional revenue of \$14,613 in Account 118-43990, Charges for Services, and appropriating the revenue with \$11,616 to Account 118-55130-187, Overtime Pay; \$906 to Account 118-55130-201, Social Security; \$1,869 to Account 118-55130-204, State Retirement; and \$212 to Account 118-55130-212, Employer Medicare. The motion passed unanimously by roll call vote.

EDUCATION CAPITAL PROJECTS FUND BUDGET AMENDMENT:

Mr. Jeff Sandvig, Assistant Superintendent, advised that \$223,604 went into Fund 177, Education Capital Projects Fund, fund balance at June 30, 2009. He requested approval of the following budget amendment to amend \$223,604 from Fund 177 fund balance so that the McFadden Renovation could be started during the 2009-10 Fiscal Year. The total project was estimated to be in the \$400,000 range. The balance of the funding will be in the 2010-11 budget:

From:	177-39000 – Undesignated Fund Balance -	\$223,604
To:	177-91300-304 – Architects -	\$ 34,000
	177-91300-335 – Maint./Repair Buildings -	189,604

Following review, Comm. Bullen moved, seconded by Comm. Jernigan to approve the Education Capital Projects Fund budget amendment as requested to amend \$223,604 from Account 177-39000, Undesignated Fund Balance, with \$34,000 to Account 177-91300-304, Architects, and \$189,604 to Account 177-91300-335, Maintenance & Repair of Buildings. The motion passed unanimously by roll call vote.

Comm. Peay asked what type of renovations would be done.

Mr. Gary Clardy advised that they would be replacing some of the floor coverings and resolving some drainage issues on the outside. He stated that they would be waterproofing the entire outside of the building. He advised that they would also be doing some painting and sealing with a general facelift of the interior of the building.

GENERAL PURPOSE SCHOOL FUND BUDGET AMENDMENT AND PURCHASE OF JORDAN HOUSE AT EAGLEVILLE HIGH SCHOOL:

Mr. Sandvig advised that the School Board had requested an appraisal of the property at 628 Highway 99, Eagleville, Tennessee adjacent to Eagleville High School and owned by Nathaniel Jordan, Sr. The appraisal has been received and the property appraised at \$107,000. The School Board staff received a letter from Mr. Jordan's agent requesting a purchase price of \$145,000. The price has been negotiated down to \$120,000 through Mr. Jordan's agent with an additional closing cost not to exceed \$4,000 for a total cost of \$124,000. Mr. Sandvig advised that the property would be titled to the county.

The Eagleville High School principal, Mrs. Rhonda Holton, has requested the purchase and indicated that the property could be used to expand the horticulture office and classrooms, potting room, possible science room, possible field house site, possible dressing rooms, coaches offices and parking for the stadium.

Mr. Sandvig requested approval of the following General Purpose School Fund budget amendment to provide funding to purchase the Jordan Property in Eagleville:

From Maintenance:		
	141-72620-511 – Vehicle & Equipment Insurance -	\$10,446

141-72620-717 – Maintenance Equipment -	40,000
From Capital Outlay:	
141-76100-399 – Other Contracted Services -	\$23,554
141-76100-799 – Other Capital Outlay -	50,000
To Capital Outlay:	
141-76100-715 – Land -	\$124,000

Comm. Sandlin stated that no doubt the property was needed to go along with the rest of the Eagleville School property, but he asked if there was an appraisal of \$107,000 then why not offer \$107,000. He stated that \$4,000 in closing costs was also somewhat high.

Mr. Clardy advised that all of the \$4,000 in closing costs might not be needed. He stated that would be a maximum. He advised that he did not know if a survey would be needed or not since the property was bordered on three sides by the school property. He stated that would be determined by Jeff Reed.

Mr. Clardy advised that as far as the appraisal being \$107,000, it would be very difficult for Mr. Jordan to find a comparable piece of property that small for he and his wife, and that whatever he found would probably be over the \$107,000 price range. He stated that there would also be moving and relocation costs. Mr. Clardy advised that Mr. Jordan had been a good neighbor, and that the School Board thought it would be fair to treat him the way they would want to be treated.

Mr. Sandvig also requested approval that the General Purpose School fund be reimbursed from Fund 177, Education Capital Projects Fund for the \$20,421 in McFadden Renovation design fees that have already been paid from Fund 141, General Purpose School fund Account 76100-399, Other Contracted Services.

Additionally, Mr. Sandvig requested approval to purchase the Nathaniel Jordan, Sr. property located at 628 Highway 99, Eagleville Tennessee for a price of \$120,000 and a closing cost not to exceed \$4,000 for a total of \$124,000 contingent upon County Commission approval of funding.

Following discussion, Comm. Bullen moved, seconded by Comm. Jernigan to approve the budget amendment for the General Purpose School Fund as requested to amend \$10,446 from Account 141-72620-511, Maintenance/Vehicle & Equipment Insurance; \$40,000 from Account 141-72620-717, Maintenance/Maintenance Equipment; \$23,554 from Account 141-76100-399, Other Contracted Services; and \$50,000 from Account 141-76100-799, Other Capital Outlay; for a total of \$124,000 to Account 141-76100-715, Land, to purchase the Jordan Property in Eagleville for a price of \$120,000 and closing cost not to exceed \$4,000 for a total of \$124,000 contingent upon County Commission approval. Additionally, that the General Purpose School Fund be reimbursed from Fund 177, Education Capital Projects Fund for \$20,421 in McFadden Renovation design fees that have already been paid from the General Purpose School Fund Account 141-76100-399, Capital Outlay, Other Contracted Services. The motion passed unanimously by roll call vote.

RESOLUTION AUTHORIZING THE CREATION OF A RECOVERY ZONE UNDER THE PROVISIONS OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009:

Mayor Burgess introduced Mr. Paul Latture, President of the Rutherford County Chamber of Commerce, and Mr. Jim Murphy with Bradley, Arant, Boulton & Cummings Law Firm from Nashville, TN.

Mayor Burgess advised that there had been an allocation to the State of Tennessee with sub-allocations to most all of the Tennessee counties to provide for the ability to issue two types of bonds relative to a Recovery Zone under the provisions of the American Recovery and Reinvestment Act of 2009. Rutherford County received an allocation of the Recovery Zone

Economic Development Bonds in the amount of \$8,479,000 and an allocation of the Recovery Zone Facility Bonds in the amount of \$12,718,000 available to be borrowed.

Mayor Burgess advised that no one had been identified at this time that would use the money, but if the money was not allocated and if Rutherford County was not in a position to use the money by May 1 it would revert back to the State of Tennessee. Mayor Burgess explained that he wanted Rutherford County to be in a position to use the money if someone or some Rutherford County entity came forward with a project to utilize the money.

Mr. Murphy advised that the Recovery Zone bonding authority came from the American Recovery and Reinvestment Act of 2009. It authorized two different types of bonds that could be used in recovery zones. Mr. Murphy advised that the first step in order to be in a position to use the money would be to establish a designated area as a recovery zone. The stimulus act states that before the bonds can be issued, they have to be used in a recovery zone. If approved, the Resolution would designate Rutherford County as a recovery zone so that the bonds could be used anywhere in the county.

Mr. Murphy advised that under the regulations that had been issued, a recovery zone had been defined as an area that had one or more of the following factors: significant poverty, unemployment, rate of home foreclosures, or general distress. Secondly, any area that had been designated by the issuer as economically distressed by reason of the closure or realignment of a military installation. Third, any area for which a designation as an empowerment zone or renewal community was in effect as of February 17, 2009.

Mr. Murphy advised that the findings that would be applicable to Rutherford County would be things like the rate of home foreclosures, increased rate of unemployment or general distress. Mr. Murphy explained that information provided by the Chamber of Commerce indicated that Rutherford County had a significant decline in building permits, which would be an evidence of distress.

Mr. Murphy advised that the bonds were two different types of bonds and could be used for two totally different purposes. The Recovery Zone Development Bonds are basically an opportunity to issue taxable bonds that can be used for public infrastructure type projects, and the federal government will give the issuer a 45% interest rebate. Mr. Murphy advised that the difference in taxable and nontaxable bonds right now were not very great, but by receiving a 45% interest rebate from the federal government it would make the Recovery Zone Economic Development Bonds cheaper to issue than the tax exempt bonds. These types of bonds could be used for such projects as water and sewer, roads, or any kind of public project to help stimulate recovery in the recovery zone.

The second type of bond is Recovery Zone Facility Bonds. They are a form of private activity bonds. Generally, these are the kind of bonds that Industrial Development Boards issue for the benefit of private businesses. Generally, if the bonds are used for a private activity, in most circumstances they are taxable bonds and not tax exempt bonds. The Recovery Zone Facility Bonds are a segment of the private activity bonds that can be tax exempt if the right conditions are met. Generally, the conditions are that you cannot use them to buy land. They can only be used, primarily, for equipment. They can be used for building renovations, but there some rules on building renovations that make it somewhat difficult to do that. Mr. Murphy explained that the primary purpose that has been identified would be for businesses or manufacturers that have a significant equipment cost that they need to incur could use the facility bonds and issue them as tax exempt, which would be a significant savings to them. The money has to be spent in the recovery zone. That is why the first step has to be to establish the recovery zone.

Comm. Sandlin asked what the “catch” was.

Mr. Murphy explained that there was no real catch except that there had to be a project that was ready to go, because the bonds had to be issued by the end of the year. He stated that a lot of decisions had to be made by May 1 to be able to get the allocation approved by the State. The

State has to sign off on the allocation by May 1 or the allocation reverts back to the State for them to redistribute the funds in any way they choose.

Mr. Murphy explained that if the funds went back to the State, it did not mean that Rutherford County could not get the money back, but the county would have to ask the State to reallocate the money to the county.

The county could sub-allocate a portion of the authority to an entity. The county has to designate the recovery zone, because Rutherford County would receive the allocation under the stimulus act.

Mr. Murphy stated that the money did not have to be used for one project. He explained that it could be used for as many projects as it could get through the process, but the real challenge would be to get through the process to submit to the State for approval.

Comm. Jordan asked if there was any chance that being designated as a recovery zone would tarnish the county's image.

Mr. Murphy stated that the reality was that Rutherford County was taking advantage of the federal government's allocation process.

Mr. Latture stated that there may be some companies that want to take advantage of the funds. He stated that it could be an incentive for companies.

Mr. Shafer asked for an example of what could be done in an area where there were a lot of foreclosures.

Mr. Murphy explained that the bonds did not have to address curing the problem. The recovery zone is an area where those problems are occurring, and foreclosures are one of the criteria that can be used to establish a recovery zone. He stated that the idea was that recovery would be stimulated by building things, public improvements, or stimulating a private business by adding more equipment and hiring more people.

Comm. Shafer asked who would be responsible for the payment of the bonds.

Mr. Murphy advised that in the case of the Facility Bonds, which are like the private activity bonds that the Industrial Development Boards issue, the private businesses would pay those back. The Economic Development Bonds would be paid back by the governmental entity that issued the bonds. He stated that the recovery zone would not impact responsibility for the payment at all, but set the preconditions for a potential issuer to be able to take advantage of the funds.

Following discussion, Comm. Bullen moved, seconded by Comm. Jernigan to approve the Resolution and to forward the same to the County Commission authorizing the creation of a Recovery zone under the provisions of the American Recovery and Reinvestment Act of 2009 for the purpose of issuing Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds. The motion passed unanimously by roll call vote.

RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS BY THE HEALTH & EDUCATIONAL FACILITIES BOARD FOR ASCENSION HEALTH:

Mr. Jim Baker, Chairman of the Industrial Development Board, and Mr. Sumner Bouldin, Attorney were present to request approval of a Resolution preliminarily authorizing, subject to the submission of satisfactory implementing documents, the issuance by the Health and Educational Facilities Board of Rutherford County of its revenue bonds, in one or more series, in an aggregate principal amount of not to exceed \$200,000,000 to finance a replacement hospital.

Mr. Baker advised that at their last meeting, they were asked to consider the issuance of \$200,000,000 of revenue bonds for Ascension Health, a not-for-profit corporation and the sole

corporate member of St. Thomas Health Services, which is the sole corporate member of Middle Tennessee Medical Center. He advised that the board looked at the project and subsequently approved the request, which must be approved by the County Commission. Mr. Baker advised that this would not obligate Rutherford County.

The proceeds to be loaned to Ascension Health would be for the purpose of financing, in part, the acquisition, construction, and equipping of a hospital at 1700 Medical Center Parkway, Murfreesboro to replace the Middle Tennessee Medical Center Facility.

Mayor Burgess asked if the funds issued would be solely for the Murfreesboro location or would other locations be involved.

Mr. Bouldin advised that the funds were applicable only to Middle Tennessee Medical Center. Mr. Bouldin stated that he believed the total project was approximately \$276,000,000.

Following review, Comm. Shafer moved, seconded by Comm. Sandlin to approve the Resolution and forward the same to the County Commission authorizing the issuance by the Health and Educational Facilities Board of Rutherford County of its revenue bonds, in one or more series, in an aggregate principal amount of not to exceed \$200,000,000 to finance a replacement hospital for Middle Tennessee Medical Center. The motion passed unanimously by roll call vote.

REPORT FROM THE INDUSTRIAL DEVELOPMENT BOARD:

Chairman Ealy advised Mr. Baker that at the January Budget Committee meeting a discussion was held regarding an e-mail that the commissioners had received regarding how some entities were auditing companies who had tax abatement agreements. It was discovered that some of the companies were not abiding by the terms of the agreements and that delinquent taxes were being collected. Mr. Baker was asked to give a report on what the IDB was doing to ensure that the terms of the payment-in-lieu of tax agreements were being adhered to.

Mr. Baker advised that he believed the Nissan agreement was one of the first tax abatement agreements done in Rutherford County. He advised that different arrangements had been approved. He explained that in 2004 the IDB approached the County Commission and requested the authority to approve the tax abatement arrangements provided the companies met certain criteria. Mainly, that after the companies were evaluated there would be at least a three to one benefit to cost ratio. After the criteria is met, there are three things that determine what a company is doing: 1) the number of employees; 2) the investment they make; and 3) the amount of their payroll. He advised that these were the things that the IDB looked at to determine what they were receiving for what they were giving. He stated that the County Commission was definitely in their right to expect that companies that were given tax abatements lived up to that. He explained that the contracts were designed by their attorney that stated what the companies had to do. The companies must report to the IDB annually as to the number of employees, the amount of the payroll, and the amount of their investment. Mr. Baker advised that Mr. Bouldin monitored this for the IDB.

RESOLUTION AUTHORIZING 2010 THDA HOME GRANT APPLICATION:

Chairman Ealy advised that the county applied for the Home Grant every year, and that sometimes the county received it and sometimes the county did not receive it.

The Finance Director advised that Rutherford County may apply for HOME funds in an amount not to exceed \$500,000 to improve housing within the county. She requested approval for the County Mayor to execute the THDA HOME Grant application.

Comm. Peay moved, seconded by Comm. Sandlin to authorize the County Mayor to execute the THDA HOME Grant application in an amount not to exceed \$500,000 which requires no matching funds. Additionally, that the County Mayor would also be authorized to accept the grant subject to it being awarded. The motion passed unanimously by roll call vote.

REQUEST APPROVAL OF SAFE EXCHANGE GRANT PROGRAM APPLICATION:

Ms. Tanya Hobbs, Exchange Club Family Center, was present to request approval of a federal grant application through the Department of Justice, Office on Violence Against Women. Ms. Hobbs advised that the grant was applied for last year, but they were not awarded the grant. If awarded, the grant would create a partnership between the county and the Exchange Club Family Center. The grant would improve the services that were available to victims of domestic violence; and more importantly for the children to have safe visitation services with the offending parent. The grant would support the facility, the providers of the service, and would create a part time county position that would be fully funded by the grant to coordinate services between the Family Center, the Domestic Violence Program, Pam Fone's Office, and any one else in the county who was providing services for children in this regard.

The grant is a three-year grant in the amount of \$900,000 over the three-year period with a five-year renewal and with no local matching funds required. Ms. Hobbs stated that hopefully the grant would take them through about eight years.

Following review, Comm. Sandlin moved, seconded by Comm. Jernigan to authorize the County Mayor and other officials of Rutherford County to execute all necessary documents relative to the application for the Safe Exchange Grant Program; and additionally, that the County Mayor also be authorized to accept the grant subject to it being awarded. The motion passed unanimously by roll call vote.

OTHER BUSINESS**APPROVE ADVANCE FOR FLEXIBLE SPENDING ACCOUNT:**

Finance Director Lisa Nolen reminded the committee that in September, 2009 a \$75,000 advance was requested and approved from the Employee Insurance Fund to the Flexible Spending Account to establish a bank account and provide startup funds until employee deductions were received. She explained what has caused a problem was that the third-party administrator needed \$57,800 to hold in an account for Rutherford County. It was believed that the \$57,800 would be held in Rutherford County's bank account, but the third-party administrator will hold the money in an account for Rutherford County. This has caused a cash flow problem. Mrs. Nolen advised that if the contract was terminated, Rutherford County would receive the money back at the end of the contract. She requested approval to advance \$50,000 from the Employee Insurance Fund to the Flexible Spending Account in order to make payments for unreimbursed medical and dependent care claims that were being requested at the first of the year.

Following review, Comm. Jordan moved, seconded by Comm. Sandlin to approve an advance of \$50,000 from the Employee Insurance Fund to the Flexible Spending Account in order to pay unreimbursed medical claims and dependent care claims. The motion passed unanimously by roll call vote.

ADJOURNMENT:

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 6:30 P.M.

Elaine Short, Secretary